



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>

TAKE PRIDE
IN AMERICA

M/047/013

IN REPLY REFER TO:

3500

UTU-0122694

(UT-924)

JAN 20 2004

CERTIFIED MAIL—Return Receipt Requested

NOTICE

Ziegler Chemical and Mineral Corp.	:	Gilsonite Leases
30 Jericho Executive Plaza, Suite 300C	:	UTU-0122694
Jericho, New York 11753	:	

Notice of Readjusted Lease

As provided at 43 CFR 3511.15, and 3511.25, enclosed are the terms and conditions of your readjusted gilsonite lease UTU-0122694, which was originally issued February 1, 1964. The readjusted lease will become effective February 1, 2004, unless objections are received. The next 20-year lease readjustment will be February 1, 2024.

Currently, Ziegler Chemical and Mineral Corp. has a statewide bond of \$132,000 to cover its gilsonite operations on Federal lands in the State of Utah. This bond is considered adequate at the present time.

Under the readjusted terms of the lease, the annual rental and minimum royalty payments are due in advance before February 1st of each year. Effective February, 1, 2004, the rental is set at the rate of \$.50 per acre or fraction thereof per year and the annual minimum royalty in lieu of production is set at the rate of \$3.00 per acre or a fraction thereof per year. As provided at 43 CFR 3504.25, the rental paid for any lease year shall be credited against the minimum royalty and production royalties for that year only. Therefore, the annual rental/minimum royalty payment due for the above listed lease is as follows:

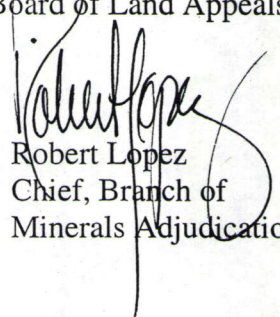
<u>Lease</u>	<u>Rental</u>	<u>Minimum Royalty</u>	<u>Total</u>
UTU-0122694	\$40	\$200	\$240

RECEIVED

JAN 27 2004

DIV. OF OIL, GAS & MINING

In accordance with 43 CFR 3511.26(a), you have 60 days after receiving the proposed readjusted terms to object. If we do not receive your objection(s) within 60 days, the proposed readjusted terms will be in effect. If you file an objection, BLM will issue a decision in response. If you disagree with the decision, you may appeal to the Interior Board of Land Appeals.



Robert Lopez
Chief, Branch of
Minerals Adjudication

Enclosure

Readjusted Lease (9 pp)

cc: Vernal Field Office, Attn: Howard Cleavinger, 170 S. 500 E., Vernal, UT 84078 (w/encl)
Mr. Lowell Braxton, UDOGM, Box 145801, Salt Lake City, UT 84114-5801 (w/encl)
SITLA, Attn: John Blake, 675 E. 500 S., Suite 500, Salt Lake City, UT 84102 (w/encl)
Resource Development Coordinating Committee (w/encl)
MMS, Solid Minerals Staff (w/encl)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

READJUSTED GILSONITE LEASE

Serial Number

UTU-0122694

PART I. LEASE RIGHTS GRANTED.

Readjustment

This ☒ Lease ☐ Lease Renewal entered into by and between the UNITED STATES OF AMERICA, through the Bureau of Land Management, hereinafter called lessor, and (Name and Address)

Ziegler Chemical and Mineral Corp.
30 Jericho Executive Plaza, Suite 300C
Jericho, New York 11753

hereinafter called lessee, is effective (date) February 1, 2004, for a period of 20 years,
and for as long thereafter as gilsonite is produced in paying quantities.
Sodium, Sulphur, Hardrock -

☐ with preferential right in the lessee to renew for successive periods of years under such terms and conditions as may be prescribed by the Secretary of the Interior, unless otherwise provided by law at the expiration of any period.

Potassium, Phosphate, Gilsonite -

☒ and for so long thereafter as lessee complies with the terms and conditions of this lease which are subject to readjustment at the end of each 20 year period, unless otherwise provided by law.

readjusted

Sec. 1. This lease is ~~issued~~ pursuant and subject to the terms and provisions of the:

☒ Mineral Leasing Act of 1920, as amended, and supplemented, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

☐ Mineral Leasing Act for Acquired Lands, Act of August 7, 1947, 61 Stat. 913, 30 U.S.C. 351-359;

☐ Reorganization Plan No. 3 of 1946, 60 Stat. 1099 and 43 U.S.C. 1201;

☒ (Other) formal now or hereafter, when ; and
to the regulations and ~~existing~~ orders of the Secretary of the Interior in force ~~on the date this lease is issued~~
not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to lessee the exclusive right and privilege to explore for, drill for, mine, extract, remove, beneficiate, concentrate, or otherwise process and dispose of the gilsonite deposits and associated minerals hereinafter referred to as "leased deposits," in, upon, or under the following described lands:

T. 10 S., R. 24 E., SLM, UT
Sec. 3, lots 1, 2.

Uintah County

containing 79.55 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

Phosphate -

☐ In accordance with Section 11 of the Act (30 U.S.C. 213), lessee may use deposits of silica, limestone, or other rock in the processing or refining of the phosphates, phosphate rock, and associated or related minerals mined from the leased lands or other lands upon payments of royalty as set forth on the attachment to this lease. (Phosphate leases only.)

PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE - Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate indicated below:

Sulphur, Gilsonite -

☒ 50 cents for the first lease year and each succeeding lease year;

Hardrock -

☐ \$1 for the first lease year and \$1 for each succeeding lease year;

Phosphate -

☐ 25 cents for the first lease year, 50 cents for the second and third lease years, and \$1 for each and every lease year thereafter;

Potassium, Sodium -

☐ 25 cents for the first calendar year or fraction thereof, 50 cents for the second, third, fourth, and fifth calendar years respectively, and \$1 for the sixth and each succeeding calendar year; or

Sodium, Sulphur, Asphalt, and Hardrock Renewal Leases -
☐ \$ for each lease year;

(b) RENTAL CREDITS - The rental for any year will be credited against the first royalties as they accrue under the lease during the year for which rental was paid.

Sec. 2. (a) PRODUCTION ROYALTIES - Lessee shall pay lessor a production royalty in accordance with the attached schedule. Such production royalty is due the last day of the month next following the month in which the minerals are sold or removed from the leased lands. See attached

(b) MINIMUM ANNUAL PRODUCTION AND MINIMUM ROYALTY - (1) Lessee shall produce or have an annual basis a minimum amount of XXXXXXXXXXXXXXXXXXXX except when production is interrupted by strikes, the elements, or casual fires not attributable to the Lessee. Lessor may permit suspension of operations under the lease when marketing conditions are such that the lease cannot be operated except at a loss. (2) At the request of the Lessee made prior to initiation of the lease year, the authorized officer may allow in writing the payment of a \$3.00 per acre or fraction thereof minimum royalty in lieu of production for any particular lease year. Minimum royalty payments shall be credited to production royalties for that year.

Sec. 3. REDUCTION AND SUSPENSION - In accordance with Section 39 of the Mineral Leasing Act, 30 U.S.C. 209, the lessor reserves the authority to waive, suspend or reduce rental or minimum royalty, or to reduce royalty, and reserves the authority to assent to or order the suspension of this lease.

Sec. 4. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of \$132,000 Statewide, or in lieu thereof, an acceptable statewide or nationwide bond. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 5. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as lessor may prescribe, lessee

shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of lessor, the leased premises and all surface and underground improvements, work, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall either submit or provide lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall exercise reasonable diligence, skill, and care in the operation of the property, and carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health or property, and of waste or damage to any water or mineral deposits.

Lessee shall not conduct exploration or operations, other than casual use, prior to receipt of necessary permits or approval of plans of operations by lessor.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, and the approved mining plans in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, minerals, and other resources, and to other land uses or users. Lessee shall take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures.

Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder or the approval of easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 7. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are

situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 8. (a) TRANSFERS - This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

(b) RELINQUISHMENT - The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 9. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such time as all or portions of this lease are returned to lessor, lessee shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all wells in condition for suspension or abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessor, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such

Sec. 14. SPECIAL STIPULATIONS -

waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities on the leased lands, and reclaim access roads or trails.

Sec. 10. PROCEEDINGS IN CASE OF DEFAULT - If lessee fails to comply with applicable laws, now existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 11. HEIRS AND SUCCESSORS-IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 12. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

Sec. 13. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), the Clean Air Act (42 U.S.C. 7401 et. seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation.

SEE ATTACHED STIPULATIONS

ROYALTY TERMS AND CONDITIONS

Gilsonite Lease

Serial Number UTU-0122694

Sec. 2 (a)

PRODUCTION ROYALTY: The Lessee shall pay the Lessor production royalties of the gross value of the gilsonite at the point of shipment to market. The Authorized Officer (AO) will review the royalty rate after the 10th lease year after the effective date of readjustment and every five years thereafter. The royalty rate may be adjusted but cannot be raised higher than the maximum set below:

Years 1 – 10 after readjustment	@ 10%
Years 11-15 after readjustment	@ 11% maximum
Years 16-20 after readjustment	@ 12% maximum

For purposes of this lease, the point of shipment to market is defined as the mine loadout, loading dock or similar facility at the processing plant. The gross value of the gilsonite at the point of shipment to market shall be defined as the gross value of a processed product for sale in an established market.

No deductions other than those specifically enumerated below are allowable for costs incurred to process production to a marketable condition. However, under no circumstances will the accepted value for royalty purposes, minus deductions, result in the value being less than the monthly average value of the free on board (f.o.b.) bulk sales price.

Deductible Items:

Freight and Handling: Only when entirely included in the sales price, the Lessee's actual reasonable costs of freight and handling from the point of shipment to market, where the sales point is remote from the processing plant, are deductible.

Bagging and Tagging: The Lessee's actual reasonable costs of bagging and tagging shall be deductible when the royalty value is based on the gross value of bagged sales, providing, the sales price of the product sold in bags has been increased over the bulk product price to cover the cost of bagging. Bagging shall be deemed to include sacks, drums, palletizing, and other similar container-form shipments.

Additives: The Authorized Officer will allow the actual reasonable costs of non-gilsonite additives (material only) to be deducted from gross royalty value, if these additives support a specific customer order.

2.

For royalty purposes, the gross value of bagged sales shall not be less than weighted average value of bulk sales of similar quality production from the lease occurring within the month. The value of bulk sales must equal or exceed 20 percent of the total monthly sales from the point of shipment to market.

If the bulk sales value does not exceed 20 percent of the total sales for the month from the lease, then comparable sales for similar products in the area will be used to determine the bulk sales price pursuant to Federal Regulations.

GILSONITE LEASE

Sec. 2 (b)

MINIMUM PRODUCTION AND MINIMUM ROYALTY:

- (1) Minimum Production:** The Lessee must produce and continue to produce gilsonite annually in paying quantities. This provision cannot be waived in lieu of paying minimum royalty.
- (2) Minimum Royalty:** The Lessee is required to pay an advance minimum royalty of \$3.00 per acre after the sixth lease year on the lease. This advance minimum royalty will be paid prior to the lease anniversary date. Minimum royalties will be applied as per 43 CFR 3504.25(b) and applied to the lease year only.

SPECIAL STIPULATIONS
READJUSTED GILSONITE LEASE
U-0122694

1. **Cultural:** The Lessee shall contact the Authorized Officer (AO) with sufficient information and request a determination if a cultural inventory and tribal consultation is necessary. If it is necessary, the Lessee shall conduct a cultural resource inventory to Bureau of Land Management (BLM) Utah Class III inventory standards on all lands where the surface may be disturbed within the boundaries of the leased lands. The inventory shall be conducted by a qualified professional cultural resource specialist (i.e. archaeologist, historian, or historical architect, as appropriate), approved by the AO. A report shall be generated of the inventory and recommendations made for protecting any cultural resources that are identified. The Lessee shall undertake measures, in accordance with instructions from the AO to protect cultural resources on the leased land. The Lessee shall not commence the surface disturbing activities until permission to proceed is given by the AO. The cost of conducting the inventory, preparing reports, and carrying out mitigation measures shall be borne by the Lessee.

The Lessee shall protect all cultural resource properties within the lease area from lease related activities until the cultural resource mitigation measures can be implemented.

If cultural resources are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the AO. The Lessee shall not disturb such resources except as may be subsequently authorized by the AO. Within two working days of notification, the AO will evaluate or have evaluated any cultural resources discovered and will determine if any action may be required to protect or preserve such discoveries.

All cultural resources shall remain under the jurisdiction of the United States until ownership is determined under applicable law.

2. **Surface Pillar:** The Lessee shall be required to leave a surface pillar of sufficient size or to blast the openings closed to insure future surface stability and allow for final reclamation of the area for safe use, as determined by the AO.

3. **Threatened and Endangered Species:** The Lessee shall, prior to entry upon the lease, conduct an intensive field inventory for Threatened, Endangered, Candidate or Sensitive plant species on those areas to be disturbed and/or impacted on the lease and, including access routes to the lease area. The inventory shall be conducted by a qualified specialist(s) approved by the AO and a report of the inventory and recommendation for the protection of these species submitted to and approved by the AO. An acceptable report of any findings shall include the specific location, distribution, and habitat requirements of the species. The Lessee shall protect these species within the lease area from any activities associated with operations conducted under the terms of the lease and shall undertake such protective measures as may be required by the AO.
4. **Paleontology:** Before beginning any surface disturbing activities within the boundaries of the leased lands, the Lessee may be required to conduct an assessment of paleontological resources if the Duchesne River, Uinta, or Green River formations are exposed on the surface of the leased lands. An assessment includes a search conducted by a qualified paleontologist, of information on file at museums, universities, and/or geological surveys, and if necessary a search of published and unpublished literature. A subsequent field survey for paleontological resources may then be required, in accordance with BLM Handbook 8270-1. The paleontologist shall report any discoveries of significant fossils and recommend mitigation measures in an acceptable report to the AO. Costs of assessment and mitigation shall be borne by the Lessee.

If vertebrate fossils are discovered during operations under the lease, the Lessee shall immediately notify the AO and avoid disturbing the fossils until the AO or a qualified paleontologist evaluates the discovery (within two working days). Any scientifically significant fossils (all vertebrate remains, tracks or traces, and other fossils identified on a case-by-case basis) shall remain the property of the United States government and must be collected by a qualified paleontologist for storage in a suitable repository.

5. **WASTE CERTIFICATION:** The Lessee must provide upon abandonment, transfer of operation, assignment of rights, sealing-off a mined area and prior to lease relinquishment, certification to the Lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon Lessee's and the operator's knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil [*as per Utah State Administrative Code R-315-15*], discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to Lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement.

6. **ROYALTY VALUE OF UN-MINED GILSONITE:** The Lessee shall be required to pay the value of the royalty due on any gilsonite which would have been recovered under the approved mine plan, which is otherwise lost or left economically inaccessible by mining practices, unless approval for leaving the gilsonite has been granted in writing by the Authorized Officer.